

FIGURES | BRISBANE INDUSTRIAL & LOGISTICS | Q3 2024

Brisbane rents continue to rise although at a slower rate

1.5%

QLD annual population growth F24-33¹

▲ c. 243,300 sqm

New Industrial Supply 3Q24

▼ c.97,400 sqm

Gross Take-Up 3Q24

▶ 5.8%

Super Prime Midpoint Yield

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up fell by 14% compared to last quarter, totalling c.97,400 sqm. Wholesale trade occupiers dominated lease activity in 3Q24.
- New floorspace added to the market in 3Q24 totalled c.243,300 sqm, double the completions recorded in 2Q24. The CY2024 pipeline is expected to total c.788,000 sqm, with 40% of this floorspace pre-committed.
- Brisbane’s industrial rents increased further over the quarter. Super prime, prime and secondary net face rents increased by 1.7%, 1.4% and 1.9% (q-o-q), respectively.
- Land values over 3Q24 appreciated by approximately 6% and 4% q-o-q for 0.25 ha lots and 1.6 ha lots, respectively.
- A total of AUD 198 million in sale transactions (for transactions ≥ AUD 5 million) was recorded in 3Q24, representing a decrease of 12% compared to the previous quarter.
- Yields have remained unchanged over the quarter– with the midpoint yield in 3Q24 for super prime grade assets remaining at 5.8% across the Brisbane market.

1. Deloitte Access Economics
Source: CBRE Research Q3 2024

Demand

Take-up volumes remain below the quarterly average

Gross take-up over 3Q24 decreased by 14% compared to the levels recorded in the previous quarter, with around 97,400 sqm (transactions >4,000 sqm) of floorspace leased.

Take-up volumes are normalising across the Brisbane market (like other Eastern Seaboard markets), with 3Q24 take-up levels 40% below the total recorded in 3Q23. Subdued business sentiment, heightened pressures on consumer spending and rental uplifts have driven this slowdown in take-up volumes. In addition to this, the demand pool for larger assets (i.e. > 10,000 sqm) is beginning to weaken as there is relatively more supply in the development pipeline being delivered in the size range of 10,000-15,000 sqm. With occupiers having more leasing options than what has been experienced over 2022 and 2023, generally decision-making has become more delayed.

Over half of the total floorspace leased this quarter was within existing assets, with 30% due to pre-leasing activity.

Notable transactions in 3Q24 included:

- Q-Automotive in the South precinct (c.20,500 sqm)
- Sumitomo Tyres in the South precinct (c.9,800 sqm)
- Phoenix Express Logistics in the Trade Coast precinct (c.8,600 sqm)

Occupier demand for additional space is forecast to continue softening in the near term as occupiers reconsider expansion requirements in the face of softer consumer sentiment. Higher interest rates and ongoing pressures of cost-of-living has continued to impact retail trade performance, subsequently slowing down floorspace demand for expansionary purposes.

Wholesale Trade and Manufacturing sectors dominate leasing over the quarter

Demand for space in 3Q24 was contributed by occupiers within the Wholesale Trade (30%), Manufacturing (27%), followed by Transport, Postal & Warehousing (18%) industry sectors.

FIGURE 1: Brisbane Gross Take-Up by Precinct

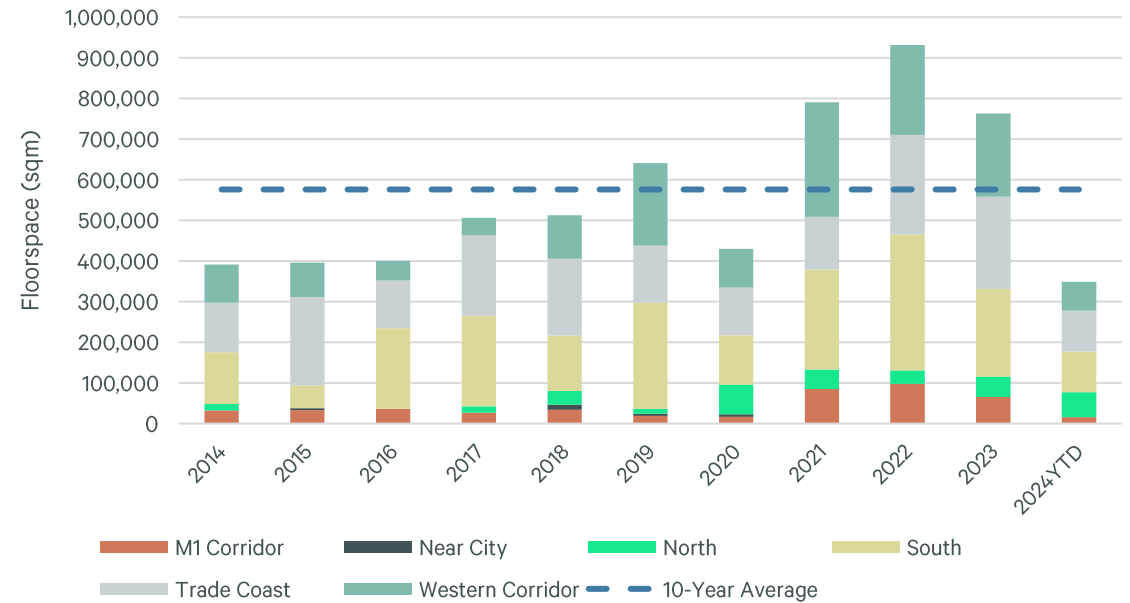
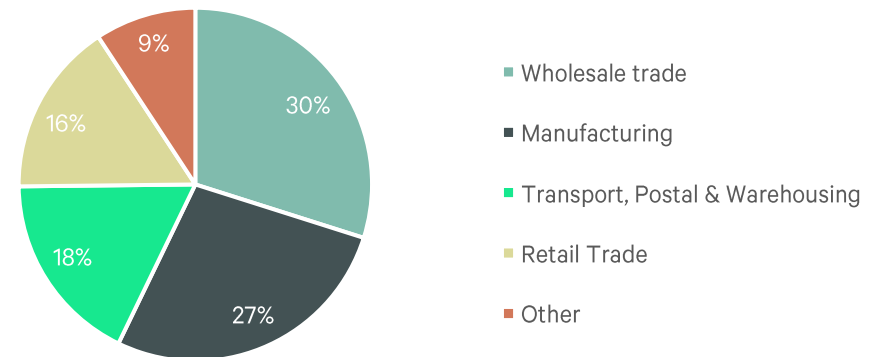


FIGURE 2: Brisbane Quarterly Take-up by Floorspace



To note: Reflects transactions >4,000 sqm.
Source: CBRE Research

Supply

Large volume of supply added to the market over 3Q24

New floorspace added to the market in 3Q24 totalled c.243,300 sqm, double the completions recorded in 2Q24.

The largest development completed over the quarter was the 142-172 Sherbrooke Road Warehouse Building (c.32,600 sqm) located in Willawong (South). Also added to the market was Laminex Australia’s c.28,000sqm warehouse within the TradeCoast Central estate.

New developments completed over 3Q24 have been concentrated in the South (30%), Western Corridor (22%) and M1 Corridor (15%) precincts.

Off the back of higher construction costs, developers are requiring higher rents to ensure new projects are feasible. This is likely to lead to lower supply in the coming years.

Completions are expected to remain elevated in 4Q24, with c.305,500 sqm of space expected to be added to the market. Major projects to complete next quarter include:

- New-Gen Business Park, Western Corridor (c.85,000sqm)
- TradeCoast Logistics Hub, Gateway North (c.45,300sqm)
- Barracks at Metroplex, Western Corridor (c.53,500sqm)

The CY2024 pipeline is expected to total c.788,000 sqm, which is close to double the long-run average. Greater supply this year is mainly owing to 2021-22 construction delays, pushing several projects into 2023 and 2024.

The 2025 pipeline is also forecast to total slightly above the 10-year average, with a current pre-commitment rate of approximately 20%. The Western Corridor and South precincts are expected to account for 35% and 32%, respectively, of all new developments between 2025 and 2026.

FIGURE 3: Brisbane Development Supply Pipeline

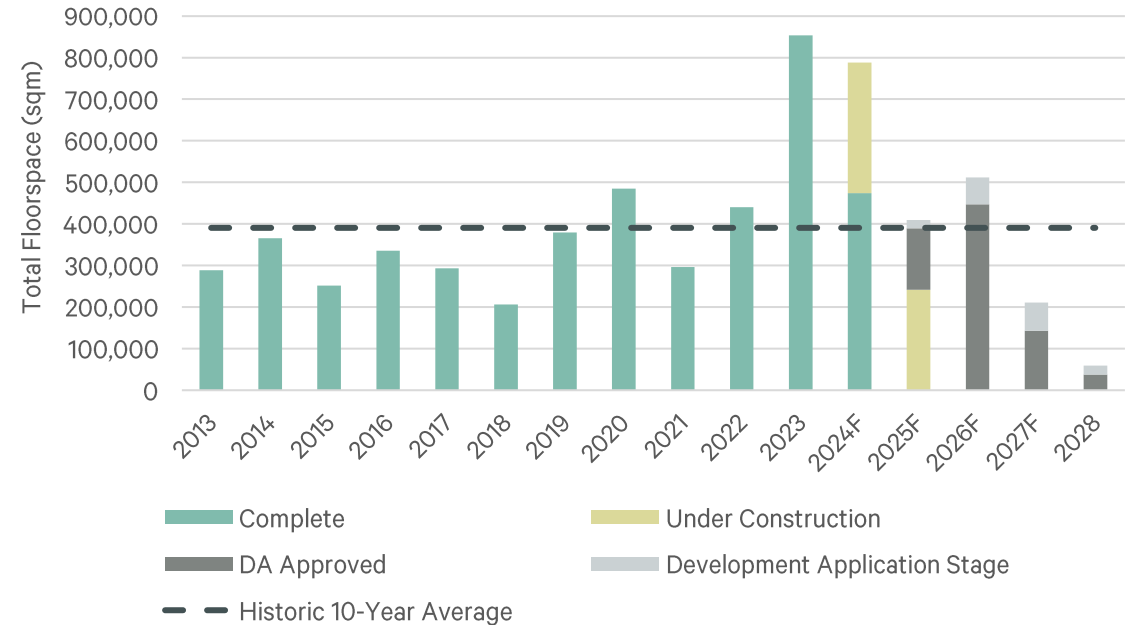
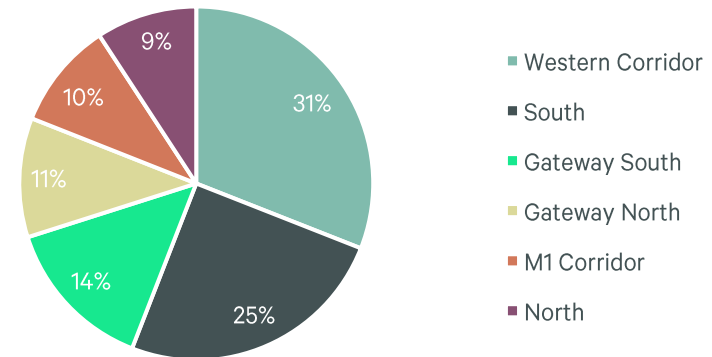


FIGURE 4: Precinct share of new developments completing in 2024, by floorspace



To note: Reflects new projects >4,000 sqm.
Source: CBRE Research

Leasing Market

Rental growth continues across Brisbane

Rents across Brisbane have continued to increase over the quarter; however, the pace of rental growth has slowed. Super prime, prime and secondary net face rents increased by 1.7%, 1.4% and 1.9% (q-o-q), respectively. The largest q-o-q growth for super prime grade assets was recorded within the North precinct (+6%), due to the lack of space available.

Brisbane’s rental uplift has been around 12 months delayed when compared to the Sydney and Melbourne markets. In addition, Queensland has experienced the highest construction cost inflation of any state, as such, pre-lease rents continue to rise to meet feasibilities of new developments.

Recent activity in the occupier market and tight vacancy has seen strong y-o-y growth in net face rents across the Australia Trade Coast, M1 Corridor, and North precincts. The largest y-o-y growth for prime grade assets was recorded within the M1 Corridor, increasing by 19%.

Higher rents notable within the Gateway North and South precincts can be attributed to a severe lack of undeveloped land supply available.

Although the average vacancy rate in Brisbane increased to 2.7% (as at 1H24), new developments continue to attract demand from occupiers looking for premium and efficient warehouse spaces.

Over 3Q24, super prime and prime incentives increased marginally by 0.6%, averaging 15%, whilst secondary grade incentives remained stable at an average of 13%. However, we expect incentive levels to rise over the next 6-12 months for landlords to retain existing and attract new tenants, as rents remain elevated, and an influx of new supply enters the market over this period.

FIGURE 5: Prime Brisbane Rent Growth, y-o-y

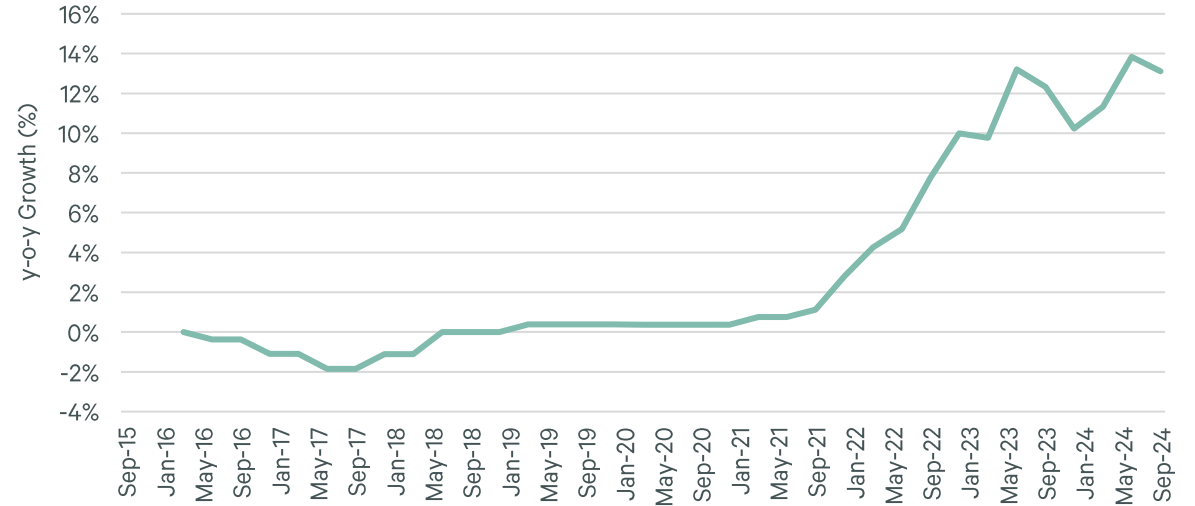
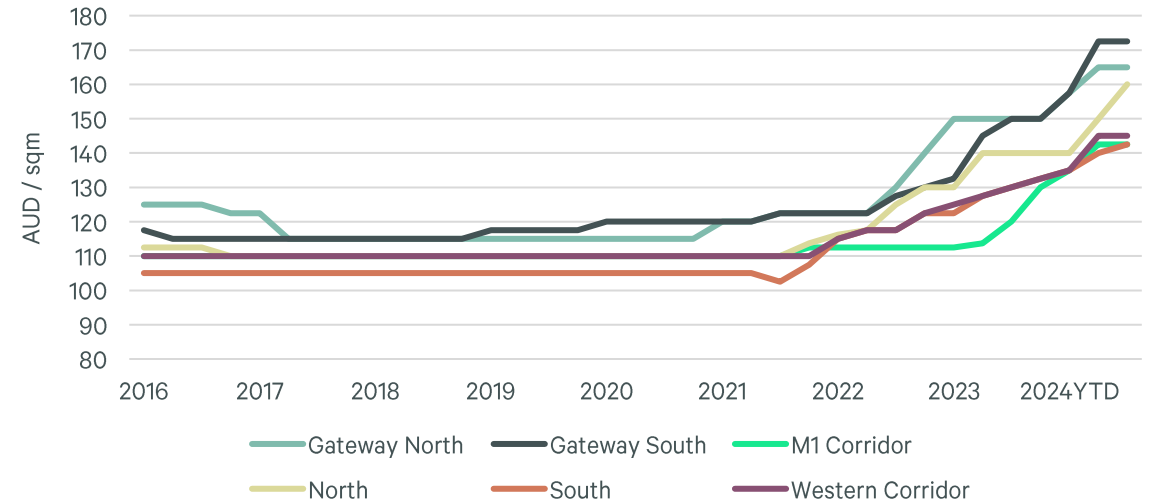


FIGURE 6: Brisbane Average Prime Net Face Rent, by Precinct



Source: CBRE Research Q3 2024

Land Values

Continued appreciation in land values across most precincts

With strong demand for developable industrial land and tight supply in Brisbane’s core industrial precincts, land values for both fully serviced small (0.25ha) and large (1.6ha) lots have continued to increase. Average land values over 3Q24 appreciated by approximately 6% and 4% q-o-q for 0.25 ha lots and 1.6 ha lots, respectively.

The share of land absorption has been concentrated within the Outer South and Western Corridor precincts. Given that the Near City, Trade Coast and North precincts are relatively more constrained, we expect the M1 Corridor, Outer South and Western Corridor market to continue to capture the bulk of demand.

Over the last 12 months land values for 1.6 ha lots have increased by 40% (y-o-y) to an average of AUD 581/sqm. The smaller 0.25 ha lots across the Brisbane industrial precincts increased by 26% y-o-y to an average of AUD 678/sqm. The strongest land value growth has been recorded in the Wester Corridor, South and M1 Corridor for both small and large lots, increasing by an average of 50%, 46% and 44% (y-o-y), respectively.

The Australian Trade Coast and North precincts are the most land constrained and land values have continued to appreciate – currently averaging AUD 748/sqm and AUD 575/sqm, respectively.

There is currently around 6,490 ha of zoned industrial land within the Brisbane Region. Only 11% of this total (or 728 ha) has been identified as undeveloped and serviced. The Western Corridor has the largest share of undeveloped serviced land supply, equating to 203 ha (or 27%. While the North precinct has the lowest share of undeveloped service land availability (9%).

FIGURE 7: Average Land Values (0.25 ha lots), by precinct

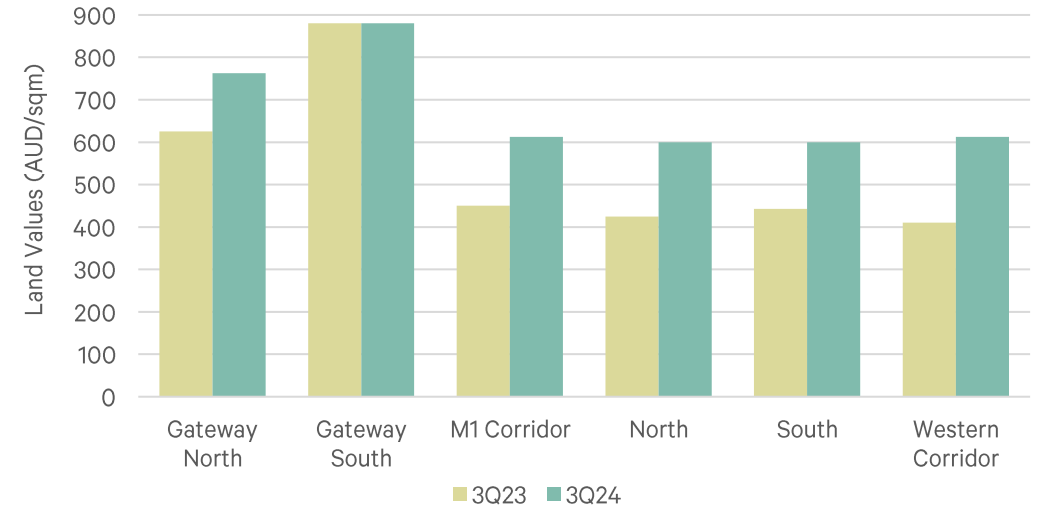
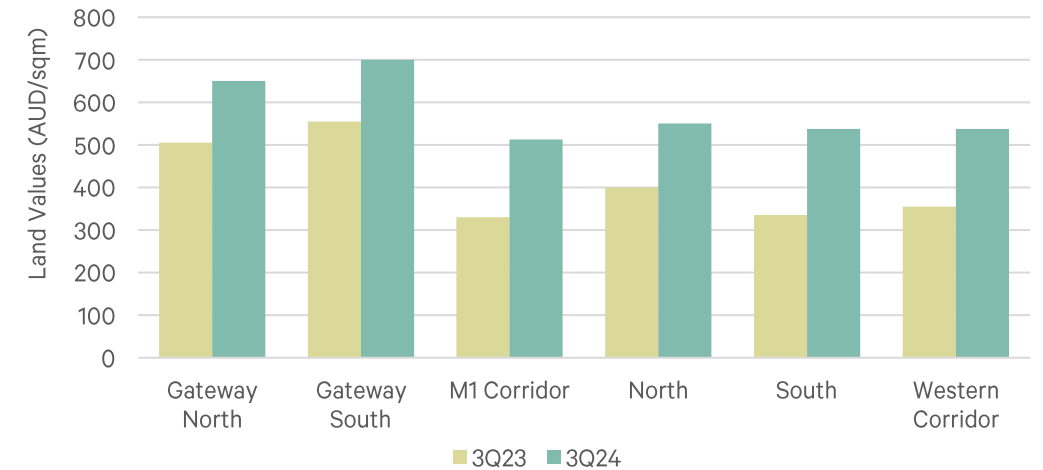


FIGURE 8: Average Land Values (1.6 ha lots), by precinct



Source: CBRE Research

Investment Market

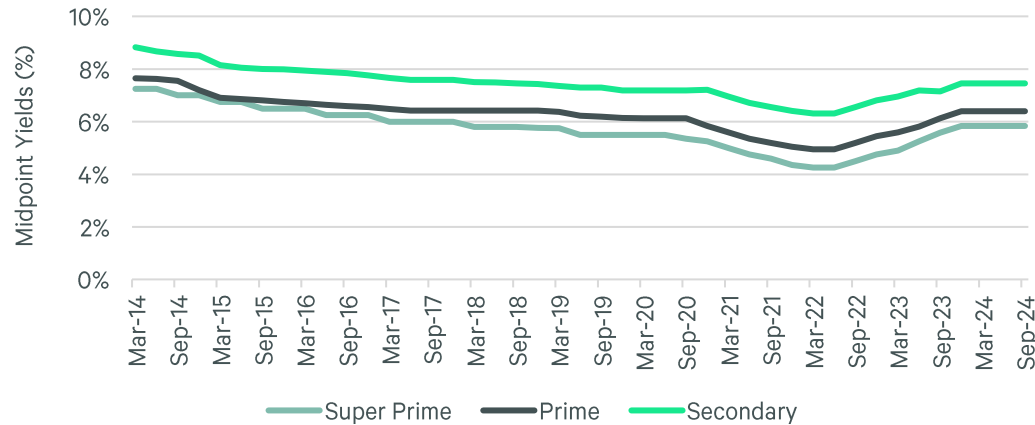
Transaction volumes remain muted over 3Q24

A total of AUD 198 million in sale transactions (for transactions ≥ AUD 5 million) was recorded in 3Q24, representing a decrease of 12% compared to the previous quarter. Investor sentiment for industrial assets remains subdued, due to ongoing economic uncertainty. Despite this, transaction activity is expected to improve over the next 12 months, following potential rate cuts and increased buyer certainty. We are seeing continued demand from interstate investors, who already have a presence in Sydney and Melbourne, as well as smaller syndicates.

The largest investment transaction over the quarter was the sale of 92 Sandstone Place, Parkinson for AUD 32 million. Other notable transactions include 19 Enterprise Street, Cleveland acquired for AUD 31.2 million and 40 Ingleston Road, Wakerley for AUD 19.2 million.

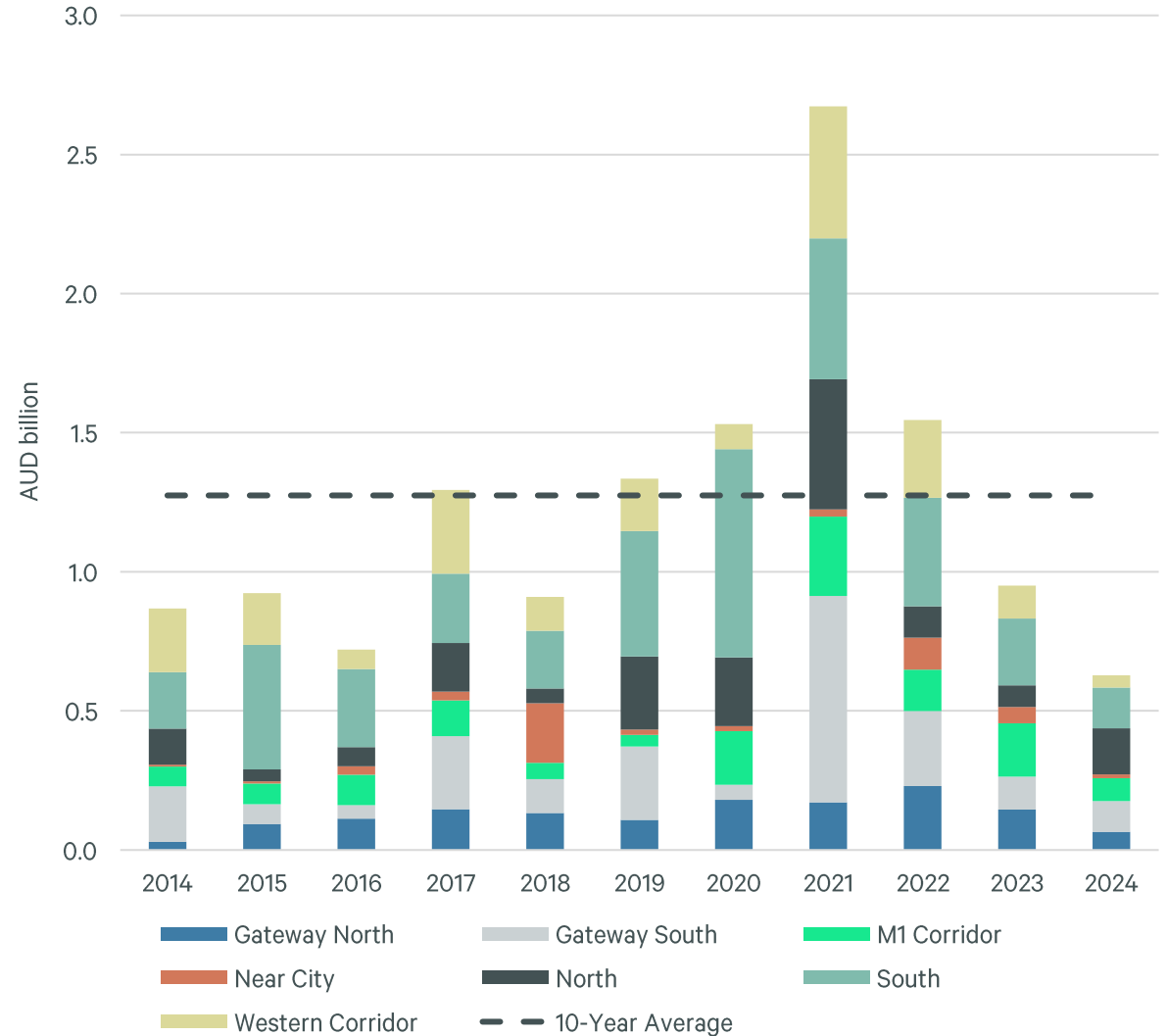
Yields have remained stable over the quarter – with the midpoint yield for super prime grade assets in Brisbane at 5.8%.

FIGURE 9: Midpoint Brisbane Yields, by asset grade (2014-2024 YTD)



Source: CBRE Research

FIGURE 10: Brisbane Industrial Sales (greater than AUD 5 million)



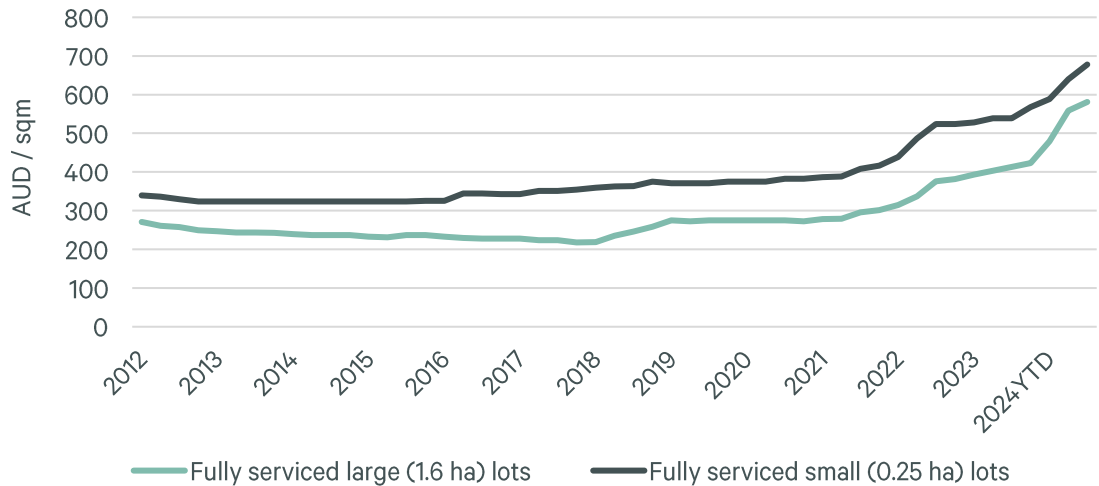
Source: CBRE Research

FIGURE 11: Prime Incentives, by Precinct and Year



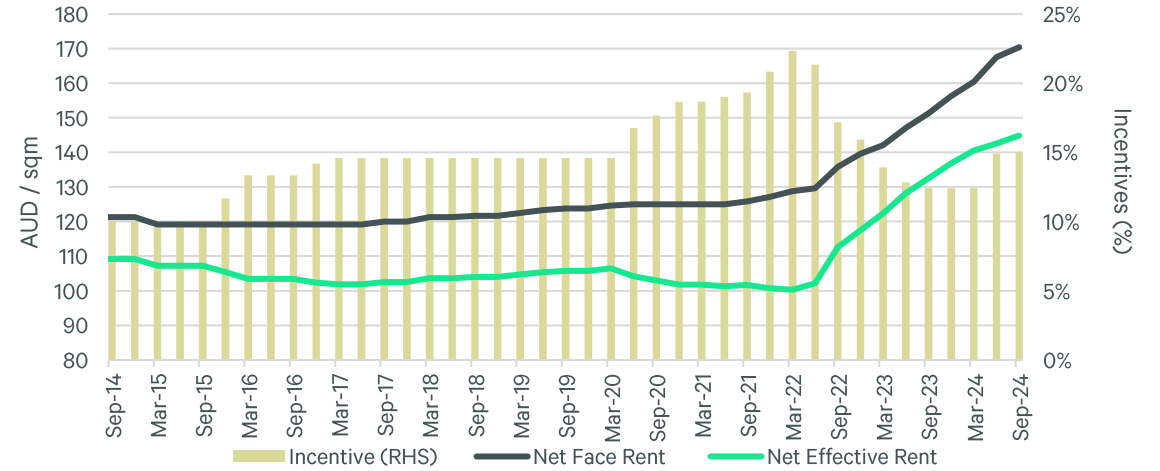
Source: CBRE Research

FIGURE 12: Brisbane Average Land Values



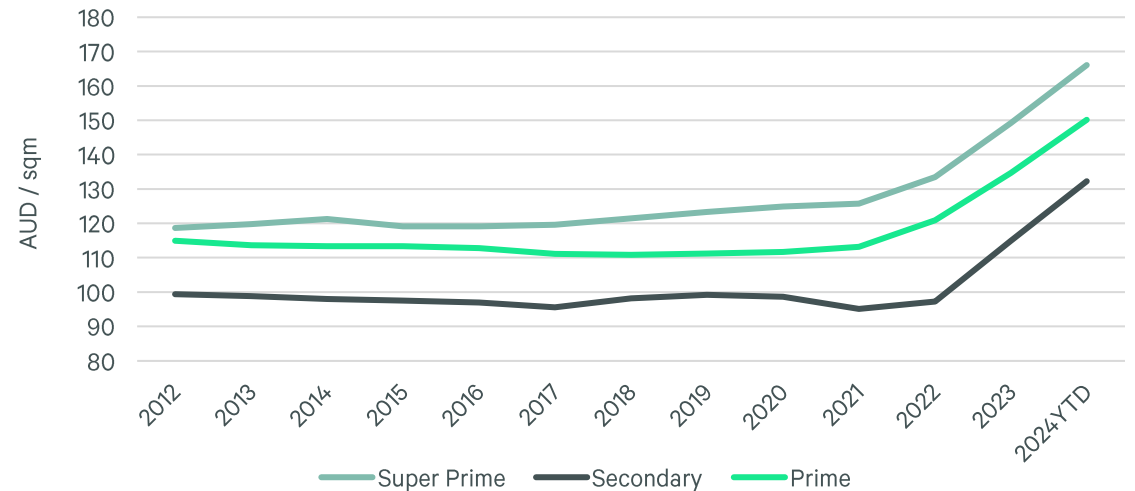
Source: CBRE Research

FIGURE 13: Average Brisbane Super Prime Rents and Incentives (2014-2024 YTD)



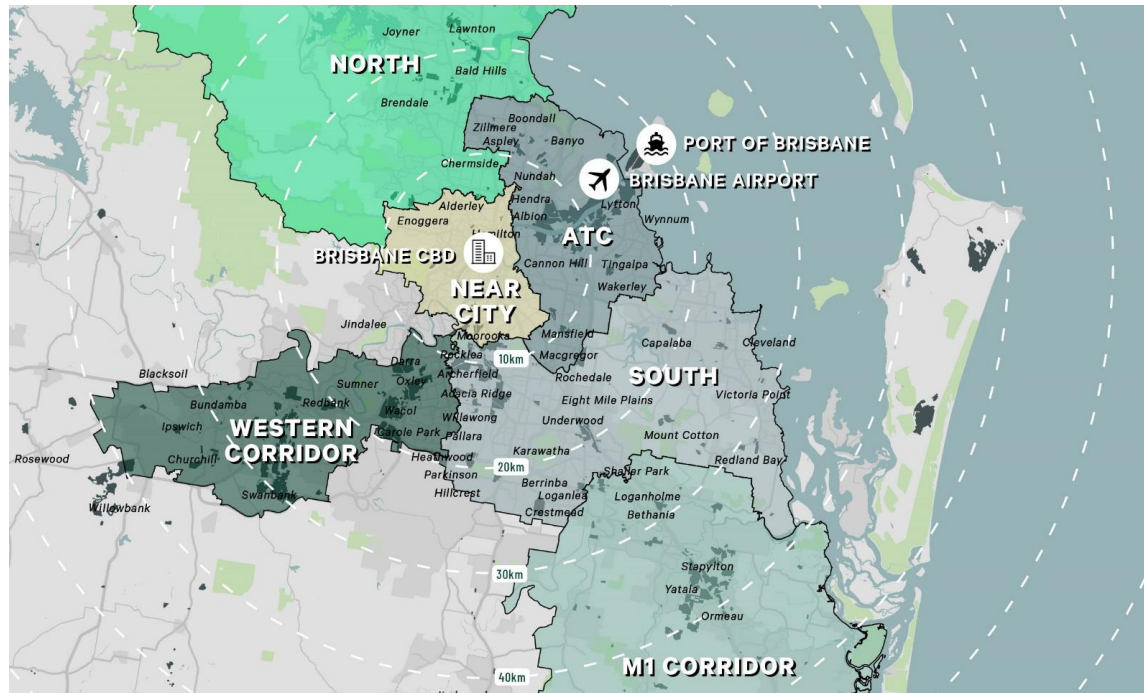
Source: CBRE Research

FIGURE 14: Brisbane Average Rent by Asset Grade



Source: CBRE Research

Market Area Overview



Definitions

Super Prime:

Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

Prime:

Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

Secondary:

Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

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